

Introduced by Senator FlorezFebruary 21, 2003

An act to amend Sections 13400, 13401, 13402, 13403, 13405, and 13406 of, and to add Chapter 5.5 (commencing with Section 11531) to Part 1 of, and to add Chapter 3.5 (commencing with Section 13343) to Part 3 of, Division 3 of Title 2 of the Government Code, relating to information technology.

LEGISLATIVE COUNSEL'S DIGEST

SB 791, as introduced, Florez. Information technology.

Existing law sets forth the requirements for the acquisition of information technology goods and services by the state, and requires all contracts for the acquisition of those goods and services to be made by or under the supervision of the Department of General Services, with expenditures in this regard subject to the review and approval of the Department of Finance. Prior to July 1, 2002, there was established in state government the Department of Information Technology that was required to perform various functions relating to information technology, including, among others, establishing policies regarding confidentiality and privacy of, and public access to, information.

This bill would create the position of the State Chief Information Officer for the purpose of directing the state's information technology investments through strategic planning that would advance statewide information policy in a manner that would be convenient, cost-effective, and responsive to emerging technologies. The State Chief Information Officer would be appointed by the Governor, subject to confirmation of the Senate.

This bill would also create the Information Technology Board, administered by the Director of Finance with the assistance of the



Director of General Services, to advance the procedures and policies for state agencies as developed by the State Chief Information Officer, in order to establish timely and convenient delivery of state services, benefits, and information.

This bill would require the Director of Finance to establish policies for information technology projects, including imposing reporting and compliance requirements for the implementation of information technology projects, and would authorize the director to impose sanctions, or to require remediation procedures. This bill would also require the Director of Finance to develop and oversee policies and procedures for ensuring the continued security of sensitive and confidential information utilized and stored as part of the state's information technology.

Vote: majority. Appropriation: no. Fiscal committee: yes. State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. Chapter 5.5 (commencing with Section 11531)
2 is added to Part 1 of Division 3 of Title 2 of the Government Code,
3 to read:

4
5 CHAPTER 5.5. INFORMATION TECHNOLOGY

6
7 Article 1. General Provisions

8
9 11531. This chapter shall be known and may be cited as the
10 Information Technology Act of 2003.

11 11532. The Legislature finds and declares the following:

12 (a) Information technology is an indispensable tool of modern
13 government to support its operations and the provision of services,
14 benefits, and information to the public and business communities.

15 (b) In order to restore and maintain the public's trust in the
16 state's management of its information technology investments, an
17 open, responsive, and accountable governance structure for
18 information technology is required.

19 (c) The governance structure should, to the maximum extent
20 possible, utilize existing resources in state government.



1 (d) The appropriate governance structure for the state should be
2 based on clear strategic thinking, sound management of existing
3 information technology, and demonstrated accountability.

4 (e) Cost-effective information technology investments must be
5 driven first and foremost by the state's business and program
6 needs, not by the technology itself. Strategic planning must be
7 based on a sound understanding of both current and anticipated
8 operational needs, as identified by the state's various departments,
9 boards, and commissions.

10 (f) Statewide strategies must also be guided by broad input,
11 drawing upon the knowledge, vision, and most effective practices
12 of successful public, private, and educational organizations.

13 (g) Strategic planning must be separate from but informed by
14 day-to-day operational activities. In order to successfully maintain
15 focus at the strategic level, the officer, as defined in Section 11533,
16 should be the system architect and planner.

17 (h) In order to achieve efficiency and effectiveness, the skills
18 and expertise of existing state departments, agencies, and control
19 agencies should be the foundation for governing day-to-day
20 information technology operations.

21 (i) In order to overcome any tendency for fragmented
22 decisionmaking, the activities of the main providers of
23 information technology governance must be coordinated.

24 (j) An effective bridge is needed between strategic planning
25 and operational activities.

26 (k) There must be transparency and an opportunity for public
27 input to strategic decisionmaking and major operational
28 implementations.

29 (l) Governance roles and responsibilities must be clearly
30 assigned.

31 (m) The policy and procedural framework for information
32 technology management must be clear, consistent, updated, and
33 enforced.

34 (n) The responsibility for ensuring compliance with state
35 policy and procedure, including the responsibility for competitive
36 purchasing, must be embraced at each level of governance, with
37 each level accountable for prompt, effective action.

38 (o) Information technology performance and progress, at both
39 the project and department level, must be assessed and reported to
40 ensure the effective management and control of information

1 technology activities and the enforcement of state policies and
2 procedures.

3 11533. For purposes of this chapter, the following terms shall
4 have the following meanings, unless expressly stated otherwise:

5 (a) “Officer” means the State Chief Information Officer.

6 (b) “Board” means the Information Technology Board.

7 (c) “Department” means the Department of Finance.

8 (d) “Strategic plan” means the documented result of a
9 disciplined, inclusive process to make fundamental decisions to
10 shape and guide the future of an organization, taking into account
11 its organizational purpose, structure, culture, and resources, and
12 the requirement of responsiveness to a changing organizational
13 environment.

14 (e) “Information technology” includes, but is not limited to,
15 all electronic technology systems and services, automated
16 information handling, system design and analysis, conversion of
17 data, computer programming, information storage and retrieval,
18 telecommunications, that may include voice, video, and data
19 communications, requisite system controls, simulation, electronic
20 commerce, and all related interactions between people and
21 machines. This definition may be interpreted and further clarified
22 by the board pursuant to the authority in subdivision (i) of Section
23 11543.

24 (f) “Services” means contracted work for which payment is
25 made to persons or entities other than state employees. This
26 includes, but is not limited to, consulting, technical staffing,
27 professional staffing, and temporary staffing.

28 (g) “Infrastructure” consists of information technology
29 equipment, software, communications networks, facilities, and
30 staff. Specifically included in statewide infrastructure are data
31 centers and wide-area networks with their associated management
32 and support capabilities.

33 (h) “Control agencies” means the Department of Finance, the
34 Department of General Services, and the Department of Personnel
35 Administration.

36 11534. (a) The purpose of this chapter is to provide a
37 governance framework for information technology that is aligned
38 with and responsive to the complex, decentralized structure of
39 California government. A primary strategic objective for this
40 framework, both in decisionmaking and operational

1 implementation, is effective coordination across organizational
2 boundaries.

3 (b) The governance framework for information technology
4 consists of the following elements to ensure successful planning,
5 operations, and accountability:

6 (1) Strategic planning is provided by the office of the State
7 Chief Information Officer, created in Section 11535.

8 (2) Oversight and alignment of the state's information
9 technology program and projects with the strategic plan is
10 provided by the state's existing control agencies through
11 information technology procedures and policies.

12 (3) The Information Technology Board, created in Section
13 11539, coordinates the information technology activities of the
14 state's control agencies in accordance with the vision and direction
15 provided by the State Chief Information Officer. The Information
16 Technology Board also provides a public forum for the highest
17 level of information technology oversight.

18 (4) Operational implementation is the responsibility of state
19 departments and agencies.

20
21 Article 2. Information Technology Strategic Planning
22

23 11535. The office of the State Chief Information Officer is
24 hereby created in the office of the Governor to provide vision and
25 direction for the state's information technology investments
26 through strategic planning. The officer shall be appointed by and
27 be responsible to the Governor, and shall be confirmed by the
28 Senate.

29 11536. The State Chief Information Officer shall advise the
30 Governor on the strategic management and direction of the state's
31 information technology resources. In this capacity, the officer
32 shall:

33 (a) Engage in the formulation, evaluation, and updating of one
34 or more strategic plans and the planning process for the state's use
35 of information technology. The first strategic plan shall be
36 submitted to the board no later than one year after the effective date
37 of this chapter. Each plan, once adopted by the board, shall be
38 reviewed annually by the officer for progress in meeting the plan's
39 objectives and shall be revised by the officer and resubmitted to the
40 board every three years.

1 (b) Work with and through the board to provide state
2 departments and agencies with clear direction on the minimum
3 requirements for the periodic reporting, to the officer, of business
4 needs and planned projects and infrastructure for information
5 technology to meet business needs and align with the state
6 information technology strategies.

7 (c) Review reports received pursuant to subdivision (b) and
8 inform the board of significant deficiencies in reporting by state
9 departments and agencies.

10 (d) Evaluate information provided in reports submitted
11 pursuant to subdivision (b) by state departments and agencies, as
12 well as state information technology programs, identify potential
13 conflicts or omissions in their planned information technology
14 activities with respect to adopted statewide strategic plans, and
15 recommend to the board new state policies, programs, and actions,
16 or amendments of existing programs, as required, to resolve
17 conflicts, advance statewide information technology goals to
18 respond to emerging business needs and opportunities, and to
19 assure that state information technology policies and programs
20 conform to adopted strategic plans.

21 11537. The officer has the power to require state departments
22 and agencies to submit reports to the officer on matters that will
23 assist the officer in meeting the duties described in subdivision (a)
24 of Section 11532. In exercising this power, it is the intent of the
25 Legislature that the officer shall work through the administrative
26 authority of the board to the extent practicable.

27 11538. (a) In developing a strategic plan for the state's use of
28 information technology, the officer shall cooperate with the board
29 in crafting a plan that translates readily from the strategic level to
30 practical operations. Similarly, when the officer works with the
31 board to establish or amend a planning process, the officer shall
32 cooperate with the board in developing a process that is practical
33 to implement. When the board advises the officer that an element
34 of a strategic plan or a planning process needs modification to be
35 implemented successfully, the officer shall review its planning
36 requirements with the objective of resolving the board's concern.

37 (b) State departments and agencies shall cooperate with the
38 officer by providing, on a timely basis, any required reports and
39 clarification of any information submitted.

40



Article 3. Information Technology Coordination

11539. There is hereby created in state government the Information Technology Board. The Information Technology Board consists of the State Chief Information Officer, the Director of Finance, the Director of General Services, one Assembly member, one Senator, and two members with expertise in information technology appointed by the State Chief Information Officer. One appointed member shall be employed by a college or university in California. For the purpose of reviewing workforce matters related to the state's information technology professional staff, the Director of Personnel Administration shall be a member of the board.

11540. Members of the board shall receive no compensation for their services under this chapter, but shall be reimbursed for their reasonable expenses incurred in attending meetings and conducting the business of the board. Reimbursement of reasonable expenses for members employed by the state shall be the responsibility of each board member's employing department or appointing power. Reimbursement of reasonable expenses for any member that is not employed by the state shall be provided by the Department of Finance.

11541. The Director of Finance shall administer this part and provide assistance to the board, as it requires. The Director of General Services shall also provide assistance to the board, as it requires.

11542. The board shall do all of the following:

(a) Review strategic plans and policy analyses submitted by the officer for adoption and advise the officer of issues affecting the ability to implement a plan.

(b) Upon request of the officer, direct a state department or agency to amend, update, or replace the periodic report submitted to the officer, pursuant to subdivision (b) of Section 11536, to correct any significant deficiencies noted by the officer, and to establish the timeframe for resubmission to the officer. A state department or agency so directed may present arguments in support of its report to the board. Failure to comply with board direction may be cause for the board to invoke powers under subdivision (h) of Section 11543.

1 (c) Engage in systematic and periodic review of the state's
2 information technology project initiation, oversight, and security
3 programs administered by the Department of Finance, the state's
4 information technology procurement program administered by the
5 Department of General Services, and any information technology
6 program administered by any state agency selected by the board
7 for examination.

8 (d) (1) Establish criteria for review of information technology
9 projects selected by the board.

10 (2) For projects that the board does not select for project
11 review, the board may delegate all powers in Section 11543 related
12 to project review to the Department of Finance.

13 (e) Conduct information technology project oversight
14 hearings, make findings and recommendations to state
15 departments, agencies, and control agencies, and exercise the
16 powers provided in Section 11543, with respect to any project
17 selected by the board for review or pursuant to policies or
18 procedures adopted by the Departments of Finance or General
19 Services.

20 (f) Conduct hearings and make findings and recommendations
21 to state control agencies and the officer on various information
22 technology matters, including enterprise-wide technology
23 initiatives, processes, policies, and procedures.

24 (g) Report a summary of the actions, findings, and reports of
25 the board to the Legislature by August 31 annually.

26 11543. The board may exercise the following powers:

27 (a) Adopt or reject a strategic plan submitted by the officer,
28 providing that rejection must be based on issues related to practical
29 implementation of the plan.

30 (b) Require additional information in the periodic reports,
31 submitted by state departments to the officer, pursuant to
32 subdivision (b) of Section 11536, and as determined by the board,
33 if the board finds that the information is needed for operational
34 guidance, and if the officer concurs. The board may also impose
35 reporting requirements, separate from those imposed by the
36 officer, on state departments, agencies, and control agencies.

37 (c) Establish working groups from state employees, as needed,
38 with the membership determined at the board's discretion, to
39 advise the board on any information technology matters.

1 (d) Pursuant to subdivision (d) of Section 11542, establish
2 criteria by which information technology projects are selected for
3 review by the board.

4 (e) Require state departments or agencies administering
5 information technology projects selected for board review to
6 provide all pertinent information on project performance,
7 including, but not limited to:

8 (1) The degree to which the project is within approved scope,
9 cost, and schedule.

10 (2) All project issues, risks, and remediation efforts.

11 (3) The estimated schedule and costs for project completion.

12 (f) Establish project findings and recommendations and direct
13 state departments and agencies on further reporting requirements.

14 (g) For any information technology project that has been
15 approved by the Department of Finance that the board has selected
16 to review, pursuant to subdivision (g) of Section 13345, require the
17 state department or agency administering the project to obtain the
18 board's approval to initiate any phase, task, or step that is identified
19 in the approved project schedule. Requests for approval to proceed
20 shall be in accordance with processes and timeframes that the
21 board, working in cooperation with state control agencies, shall
22 establish or shall authorize its staff to establish. The board may
23 delegate its power, pursuant to this subdivision, to approve
24 initiation of any phase, task, or step that is identified in the
25 approved project schedule to the Department of Finance. The
26 Department of Finance shall annually report to the board actions
27 taken under the authority delegated to the Department of Finance
28 by the subdivision. Nothing in this subdivision may be read to
29 conflict with the responsibilities and authority of the department
30 pursuant to Sections 13344, 13345, and 13346. When necessary,
31 the board and the department shall work jointly to establish
32 approval points throughout the project lifecycle.

33 (h) The board may delegate its power to suspend, reinstate, or
34 terminate any information technology project. The board may
35 delegate its power, pursuant to this subdivision, to suspend,
36 reinstate, or terminate any information technology project to the
37 Department of Finance. The Department of Finance shall annually
38 report to the board actions taken under the authority delegated to
39 the Department of Finance by this subdivision. Nothing in this
40 subdivision may be read to conflict with the responsibilities and

1 authority of the department pursuant to Sections 13344, 13345,
2 and 13346. The Department of Finance shall notify the Legislature
3 of all project suspensions and reinstatements. The Department of
4 Finance shall provide a 30-day advance notification to the
5 Legislature of projects that are terminated. After notice has been
6 provided to the Legislature, and pending the expiration of 30 days,
7 the board may require the state department or agency
8 administering the project to stop expending funds on the project.

9 (i) Interpret and clarify the definitions set forth in subdivisions
10 (e) and (g) of Section 11533.

11 (j) The authority authorized under subdivision (e) of Section
12 11533 with respect to telecommunications may not be exercised
13 without the concurrence of the Department of General Services.

14 11544. This chapter does not apply to the University of
15 California, the California State University, the State
16 Compensation Insurance Fund, the community college districts,
17 agencies provided for by Article VI of the California Constitution,
18 or the Legislature.

19 SEC. 2. Chapter 3.5 (commencing with Section 13343) is
20 added to Part 3 of Division 3 of Title 2 of the Government Code,
21 to read:

22
23 CHAPTER 3.5. STATEWIDE INFORMATION TECHNOLOGY
24

25 13343. The definitions contained in Section 11533 shall apply
26 to this chapter.

27 13344. The Department of Finance shall have the following
28 responsibilities relating to information technology project
29 approval, management, and oversight programs:

30 (a) Establish and maintain a framework of policies,
31 procedures, and requirements for the initiation, approval,
32 management, and oversight of information technology projects.
33 This includes responsibility for related sections in the State
34 Administrative Manual.

35 (b) Possess and control all relevant records and papers held for
36 the benefit and use of the former Department of Information
37 Technology in the performance of its statutory duties, powers,
38 purposes, and responsibilities.



1 (c) Establish and maintain criteria for state departments and
2 agencies to report information technology activities to the
3 Department of Finance.

4 (d) Assess departments and agencies on their performance of
5 project management, project oversight, and project success, and
6 annually report the overall assessment findings to the Information
7 Technology Board.

8 13345. The Department of Finance may exercise the
9 following powers relating to information technology project
10 approval, management, and oversight programs:

11 (a) Review proposed information technology projects for
12 compliance with statewide strategies, policies, and procedures.

13 (b) Require departments to provide information on
14 information technology projects, including, but not limited to:

15 (1) The degree to which the project is within approved scope,
16 cost, and schedule.

17 (2) All project issues, risks, and remediation efforts.

18 (3) The estimated schedule and costs for project completion.

19 (c) Require departments to perform remedial measures to
20 information technology projects to achieve compliance with
21 approved project scope, cost, and schedule, as well as statewide
22 strategies, policies, and procedures. These remedial measures may
23 include, but are not limited to:

24 (1) Independent assessments of project activities funded by the
25 administering department or agency.

26 (2) Establishment of remediation plans.

27 (3) Hiring vendors with project-required technical experience
28 funded by the administering department or agency.

29 (4) Additional project reporting.

30 (d) Direct the Office of State Audits and Evaluations (OSAE)
31 to conduct reviews of information technology projects to
32 determine the degree to which they are within approved scope,
33 costs, and schedule, and the degree to which any required
34 remediation activities have been successful. The cost of the review
35 will be funded by the department or agency administering the
36 project.

37 (e) Establish sanctions for nonperformance by departments
38 and agencies, including, but not limited to:

1 (1) Restriction of future project approvals for nonmandated
2 projects pending demonstration of successful project
3 implementation.

4 (2) Revocation or reduction of delegated authority.

5 (f) Make recommendations to the Information Technology
6 Board to suspend, reinstate, and terminate information technology
7 projects.

8 (g) Grant or withhold approval to initiate information
9 technology projects.

10 (h) Determine the state department or agency that will use the
11 data center, and approve the methodology that the Stephen P. Teale
12 Data Center uses for computing costs and billing rates.

13 (i) Pursuant to subdivision (h) of Section 11543, revert
14 unencumbered funds to the fund from which the appropriation was
15 made, after a project is terminated.

16 13346. The Department of Finance shall do all of the
17 following relating to the state's information technology:

18 (a) Develop policies and procedures for the confidentiality of
19 information.

20 (b) Develop policies and procedures necessary to provide for
21 the security of the state's informational and physical assets and the
22 preservation of the state's information processing capability.

23 (c) Coordinate research and identify solutions to problems
24 affecting information security.

25 (d) Appoint a state information security officer who shall
26 represent the state to the federal government, other agencies or
27 state government, local government entities, and private industry
28 on issues that have statewide impact on information security.

29 (e) Develop policies and procedures and review compliance
30 therewith of departments, agencies, and control agencies to ensure
31 that the technology supporting state business operations will
32 continue to function in the event of a disaster.

33 (f) Maintain the confidentiality of information about agency
34 operational recovery plans. That information may not be disclosed
35 to the public.

36 (g) Review and advise on security plans concerning the
37 location and construction of information processing facilities for
38 state agencies; and keep confidential information about security
39 plans, features, and vulnerabilities of planned and existing
40 information processing facilities.



1 (h) Maintain the confidentiality of security and operational
2 recovery information received pursuant to Section 13347.

3 (i) Investigate any security incident reported pursuant to
4 Section 13347, as the department deems necessary.

5 13347. (a) State agencies shall notify the Department of
6 Finance, or its designee, of all incidents involving the intentional
7 unauthorized access or unauthorized intentional damage to, theft
8 of, or modification or destruction of, electronic information, and
9 the damage to, or destruction or theft of, data processing
10 equipment, or the intentional damage to, or destruction of,
11 information processing facilities.

12 (b) Information about incidents described in subdivision (a)
13 received by the Department of Finance, or its designee, the
14 disclosure of which poses a threat or potential threat to the safety
15 or security of the personnel, property, buildings, facilities,
16 technology infrastructure, or equipment, including electronic
17 data, owned, leased, or controlled by the state, shall be considered
18 confidential and may not be disclosed to the public.

19 13348. The chief executive officer of each state agency that
20 uses, receives, or provides information technology services shall
21 designate an information security officer who shall be responsible
22 for implementing state policies and procedures regarding the
23 confidentiality and security of information pertaining to his or her
24 respective agency. The policies and procedures shall include, but
25 are not limited to, strict controls to prevent unauthorized access to
26 data maintained in computer files, program documentation, data
27 processing systems, data files, and data processing equipment.

28 13349. Any contract entered into by any state agency that
29 includes provisions for information technology security
30 assessments, systems design, programming, documentation,
31 conversion, equipment maintenance, and similar aspects of
32 information technology services shall contain a provision
33 requiring the contractor and all of his or her staff working under
34 the contract to maintain all confidential information obtained as a
35 result of the contract as confidential and to not divulge that
36 information to any other person or entity.

37 13350. This chapter does not apply to the University of
38 California, the California State University, the State
39 Compensation Insurance Fund, the community college districts,

1 agencies provided for by Article VI of the California Constitution,
2 or the Legislature.

3 SEC. 3. Section 13400 of the Government Code is amended
4 to read:

5 13400. This ~~act~~ *chapter* shall be known and may be cited as
6 the Financial Integrity and State Manager's Accountability Act of
7 1983.

8 SEC. 4. Section 13401 of the Government Code is amended
9 to read:

10 13401. (a) The Legislature hereby finds that:

11 (1) Fraud and errors in state programs are more likely to occur
12 from a lack of effective systems of internal accounting ~~and~~
13 ~~controls~~, administrative ~~control~~ *controls*, and information security
14 *controls* in the state agencies.

15 (2) Effective systems of internal accounting ~~and~~ *controls*,
16 administrative ~~control~~ *controls*, and information security *controls*
17 provide the basic foundation upon which a structure of public
18 accountability must be built.

19 (3) Effective systems of internal accounting ~~and~~ *controls*,
20 administrative ~~control~~ *controls*, and information security *controls*
21 are necessary to assure that state assets and funds are adequately
22 safeguarded, as well as to produce reliable financial information
23 for the agency.

24 (4) Systems of internal accounting ~~and~~ *controls*, administrative
25 ~~control~~ *controls*, and information security *controls* are necessarily
26 dynamic and must be continuously evaluated and, where
27 necessary, improved.

28 (5) Reports regarding the adequacy of the systems of internal
29 accounting ~~and~~ *controls*, administrative ~~control~~ *controls*, and
30 information security *controls* of each state agency are necessary to
31 enable the executive branch, the Legislature, and the public to
32 evaluate the agency's performance of its public responsibilities
33 and accountability.

34 (b) The Legislature declares it to be the policy of the ~~State of~~
35 ~~California~~ *state* that:

36 (1) Each state agency must maintain effective systems of
37 internal accounting ~~and~~ *controls*, administrative ~~control~~ *controls*,
38 and information security *controls* as an integral part of its
39 management practices.



(2) The systems of internal accounting ~~and controls~~ administrative-control controls, and information security controls of each state agency shall be evaluated on an ongoing basis and, when detected, weaknesses must be promptly corrected.

(3) All levels of management of the state agencies must be involved in assessing and strengthening the systems of internal accounting ~~and controls~~, administrative control controls, and information security controls to minimize fraud, errors, abuse, and waste of government funds.

SEC. 5. Section 13402 of the Government Code is amended to read:

13402. State agency heads are responsible for the establishment and maintenance of a system or systems of internal accounting ~~and controls~~, administrative control controls, and information security controls within their agencies. This responsibility includes documenting the system, communicating system requirements to employees, and assuring that the system is functioning as prescribed and is modified, as appropriate, for changes in conditions.

SEC. 6. Section 13403 of the Government Code is amended to read:

13403. (a) ~~Internal—~~Systems of internal accounting ~~and controls~~, administrative controls, and administrative security controls are the methods through which reasonable assurances can be given that measures adopted by state agency heads to safeguard assets, check the accuracy and reliability of accounting and other data, promote operational efficiency, and encourage adherence to prescribed managerial policies are being followed. The elements of a satisfactory system of internal accounting ~~and controls~~ administrative-control controls, and information security controls, shall include, but are not limited to, the following:

(1) A plan of organization that provides segregation of duties appropriate for proper safeguarding of state agency assets.

(2) A plan that limits access to state agency assets to authorized personnel who require these assets in the performance of their assigned duties.

(3) A system of authorization and recordkeeping procedures adequate to provide effective accounting control over assets, liabilities, revenues, and expenditures.

1 (4) An established system of practices to be followed in
2 performance of duties and functions in each of the state agencies.

3 (5) Personnel of a quality commensurate with their
4 responsibilities.

5 (6) An effective system of internal review.

6 (7) *Information security risk management policies,*
7 *procedures, and practices that ensure the reliability of information*
8 *systems and the protection of information assets.*

9 (b) State agency heads shall follow these standards of internal
10 accounting ~~and controls~~, administrative ~~control~~ controls, and
11 *information security controls* in carrying out the requirements of
12 Section 13402.

13 SEC. 7. Section 13405 of the Government Code is amended
14 to read:

15 13405. (a) To ensure that the requirements of this ~~section~~
16 *chapter* are fully complied with, the head of each agency ~~which~~
17 *that* the director determines is covered by this ~~section~~ *chapter* shall
18 prepare and submit a report on the adequacy of the agency's
19 systems of internal accounting *controls* and administrative ~~control~~
20 *controls* by December 31, 1983, ~~and by December 31 following~~
21 ~~the end of each odd-numbered fiscal year 2005, and every two~~
22 *years* thereafter.

23 (b) The report, including the state agency's response to report
24 recommendations, shall be signed by the head of the agency and
25 addressed to the agency secretary or the director ~~of finance~~ for
26 agencies without an agency secretary. Copies of the reports shall
27 be forwarded to the ~~Legislature, the Chair of the Joint Legislative~~
28 *Audit Committee, the State Auditor-General*, the Governor, and the
29 ~~Director of Finance~~ *director*. Copies of these reports shall also be
30 forwarded to the State Library where they shall be available for
31 public inspection.

32 (c) ~~By January 1, 1983, the director, in consultation with the~~
33 ~~Auditor General and the Controller, shall establish a system of~~
34 ~~reporting and a general framework to guide the agencies in~~
35 ~~performing evaluations on their systems of internal accounting~~
36 ~~and administrative control. The director, in consultation with the~~
37 ~~Auditor General and the Controller, may modify the format for the~~
38 ~~report or the framework for conducting the evaluations from time~~
39 ~~to time as deemed necessary.~~

~~(d)~~ Any material inadequacy or material weakness in an agency's systems of internal accounting *controls* and administrative ~~control~~ *controls* that prevents the head of the agency from stating that the agency's systems of internal accounting *controls* and administrative ~~control~~ *controls* provided reasonable assurances that each of the objectives specified above was achieved, shall be identified and the plans and schedule for correcting any ~~such~~ inadequacy described in detail.

(d) To ensure that the requirements of this chapter are fully complied with, the head of each agency that the director determines is covered by this chapter shall prepare and submit a report to the director on the adequacy of the agency's system of information security controls by December 31, 2004, and every odd-numbered year thereafter. Any material inadequacy or material weakness in an agency's system of information security controls that prevents the head of the agency from stating that the agency's system of information security controls provided reasonable assurances that each of the objectives specified above was achieved, shall be identified and the plans and schedule for correcting any inadequacy described in detail. The confidentiality of the information submitted to the director pursuant to this subdivision shall be maintained and the information may not be disclosed to the public.

SEC. 8. Section 13406 of the Government Code is amended to read:

13406. (a) The head of the internal audit staff of a state agency or a division, as specified by the director, or, ~~in the event~~ *if* there is no internal audit function, a professional accountant, if available on the staff, designated as the internal control person by the head of the state agency or a division, shall receive and investigate any allegation that an employee of the agency provided false or misleading information in connection with the evaluation of the agency's systems of internal accounting ~~and~~ *controls*, administrative ~~control~~ *controls*, and information security controls, or in connection with the preparation of the ~~annual~~ *biennial* report on the systems of internal accounting ~~and~~ *controls*, administrative ~~control~~ *controls*, and information security controls.

(b) If, in connection with any investigation under subdivision (a), the head of the internal audit staff or the designated internal control person determines that there is reasonable cause to believe

1 that false or misleading information was provided, he or she shall
2 report in writing that determination to the head of the agency or the
3 division.

4 (c) The head of the agency or division shall review any matter
5 referred to him *or her* under subdivision (b), shall take ~~such~~ *any*
6 disciplinary or corrective action ~~as~~ *that* he *or she* deems necessary,
7 and shall forward a copy of the report, indicating therein the action
8 taken, to the director within 90 days of the date of the report.

